

**BEAM WIND LTD.**

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Commission for Energy Regulation  
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3<sup>rd</sup> April 2014

Submission on:

**Integrated Single Electricity Market (I-SEM)  
High Level Design for Ireland and Northern Ireland from 1.1.2017**

Dear Mr Newsome, Dear Mr Miura,

**Question 1.: General comments:**

Beam Wind Ltd. ( Beam) is a 14 MW windfarm, developed , owned and operated by a small number of individuals . It has been operating since 2006 and is **out of support**.

Beam is extremely worried about its future viability under Options 1, 2 and 3 as put forward. Already at present no utility will offer a Power Purchase Agreement ( PPA) to independent generators outside support beyond 31.12.2016, due to the uncertainty about the new market design.

The Republic of Ireland is unique compared to the UK- and many other EU markets – insofar as there are a very large number of smaller , independently owned wind generators. This is a result of the earlier AER and REFIT system , which encouraged small generators. Many of these early movers are now out of support and relying on either the current SEM / pool market to sell their electricity or a PPA with a Supply company (only till 31.12.2016). Under Option 1, 2 and 3, Beam does not see these opportunities. Only Option 4 , which most closely resemble the existing market appears to guarantee Beam an viable future.

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Company Directors: Denis Roper, John Gillespie, Inge Buckley**

The proposal that independent generators with a single project out of support, such as Beam, should have the technical capability, human and financial resources to carry out mandatory forecast and trading Day-Ahead and Intra-Day trading in the market is not realistic, in fact impossible. To have a fully manned trading desk, would require an office with a state-of-the-art computer system; at least 5 full time highly skilled employees, apart from the cost and risk of operating in the market. And Beam, at 14 MW, has not got forecasting skill nor will it ever be possible for a single unit to get any forecasting up to 36 hours ahead right. For a portfolio of windfarms, backed by conventional generation, it is a different situation.

If Beam was in a REFIT support scheme, Beam would either have a Power Purchase Agreement (PPA) with a supply company, who may or may not trade Beam in the market or Beam could have a Supplier Lite (Self Supply) PPA. Under the REFIT support program, Beam could just stay at all times at the Imbalance Market and take whatever price might be available, as the PSO will bring Beam's price per kWh up to the guaranteed generator payment as set in the REFIT program. It would not be good for the PSO, but will enable independent owned projects under support to survive.

If any option other than 4 is chosen as they are proposed in the consultation paper, Beam will seriously consider to look at decommissioning, sell its turbines on the second hand market and apply for a REFIT contract; refinance and re-built with new turbines. It would be an awful waste, as Beam at present technically will be able to operate for a further 20 years. It will also be in contrast with the wider EU market's aim that renewable generation shall be able to operate on the open market without support. But if the new market is designed in such a manner that a segment of the market operators (small independent generators outside support) cannot survive, Beam may have no choice. The fact that it may also be uncompetitive, and could be subject to scrutiny by the National and EU Competition authorities is a separate issue. If Beam has understood it right, one of the purposes of the new I-SEM market, is to drive the Imbalance price so low that it is lower than the price on the Great Britain market, so that it drives export of wind generation. If that is the case and Beam and other small independent out of support generators will have to accept such a low potential negative price, they will not even be able to pay their operating cost not to mention financing cost.

Beam is aware that Irish Wind Energy Association (IWEA) has put forward an Option 3B proposal forward; whereas Beam supports Option 4, as stated above, if that is not chosen, it is essential that some of the IWEA proposals under Option 3B is adapted. Beam will in particular, but not exclusively mention:

- The present Intermediary system should be maintained.
- Settlements should be transparent within a participant's wind portfolio, so that an independent generator with an Intermediary agreement, is not unduly disadvantaged against the participant's own projects.
- TSO wind generation forecast should be made available.
- A consultation on de-minimis level; should the level be increased, particular for independent generators.
- Retain existing policy in relation to Grid access, Firm-access and Dispatch
- An "Intermediary of last resort", to provide a reasonable and fair value price for electricity produced, should be made available to smaller projects to avoid stranded assets.

We are also aware that the Irish Wind Farmers Association (IWFA), the representative body of the small and independent wind industry, has been fully engaged in this consultation, holding workshops and seminars, which Beam has participated in.

We broadly agree with their conclusion, as expressed in this submission, that the only sustainable approach for Independent Generators is Option 4. However, we have not considered all of the detailed questions you have posed in your consultation document, and don't enclose detailed replies with this submission.

### **The Options.**

Option 1, as stated very frankly in the Consultation Document, has several features which "... advantage portfolio generators..." and that the ex-post imbalance price would be "... less attractive for wind..." than an ex-post pool price. This option should be rejected and taken no further.

Option 2 would, we fear, operate in practice in a very similar way to Option 1. We understand that the ex-post imbalance price, to which we will inevitably be exposed, will again be "... less advantageous for wind ..." than in a full ex-post pool. This is a novel hybrid, and it is not clear to anyone how it would work.

Option 3 is the worst of all four options for small wind projects. It has all the disadvantages of Option 1. In addition, such projects would be forced to trade in a day-ahead market at a time when the wind forecast is inaccurate, which will only add risk to our business, unnecessarily. Our projects would inevitably still be exposed to the ex-post imbalance price – which, as the Consultation Document again acknowledges in respect of Option 3, would be "... less attractive for wind..." than a full ex-post pool. We consider that exemptions and fixes will not address the core issues with this option.

Option 4 is the only option that offers independent wind generators a level playing field, because it includes an ex-post imbalance mechanism, based on a gross pool, that reflects the full underlying power system, in which we can fully participate, and against which the forward markets can operate. It also gives a clear and unambiguous support reference price, unlike every other option. It is the option that will best incentivize optimal demand side management and interconnector flows, by having a gross pool and flexible forward markets. To complete the picture, there must be 'market maker' obligations on portfolio generators and appropriate incentives on the TSO to minimize the cost of meeting system stability, transmission and other technical system requirements.

We also propose an increase in the de-minimis level to 20MW in the new I-SEM arrangements. To minimize delay and disruption, we would wish to see all other SEM/CER directions (e.g. Tie Break arrangements) to remain unchanged, with one exception. SEMC's proposed removal of compensation for curtailment must be reversed.

We support the inclusion of a Capacity Remuneration Mechanism (CRM). We believe that the only option is a long-term price-based mechanism.

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**In summary,**

A fully liquid and transparent ex post imbalance settlement mechanism, voluntary day-ahead and intra-day markets, primed by market maker obligations on the portfolio generators, accompanied by a long-term price based CRM, will provide an entirely level playing field on which generators of all sizes and technologies can participate effectively. It would also provide the best reference price for the various renewable support schemes, while minimizing the cost of those supports to the consumer. It is the only market model in which small independent wind generators have any real prospect of survival, in particular where they are out of support. And we must remember that all projects end up in that position after a roughly 15-year period and the technical lifespan of a windfarm is 25-30 years.

While the market design can help relieve curtailment, to really address that issue, there is a need for the TSO to be subject to at least some of the rescheduling costs arising from the under development of the island's system, so as to incentivize the necessary and urgent improvements, which are the TSO's duty in any case. In the meantime, there is a continuing role of TSO counter-trading.

We thank you for your attention and consideration of this submission,

Yours sincerely,

Inge Buckley  
(no signature as sent by email)

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